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REPORT

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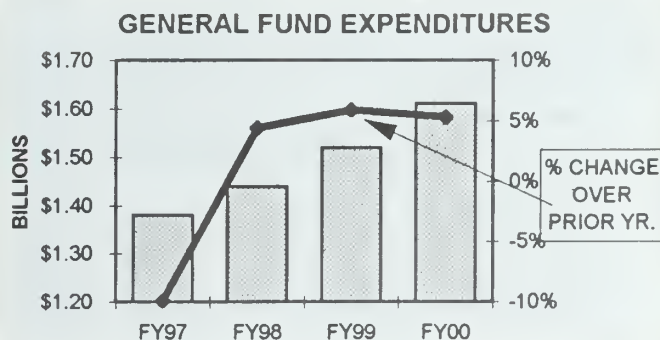
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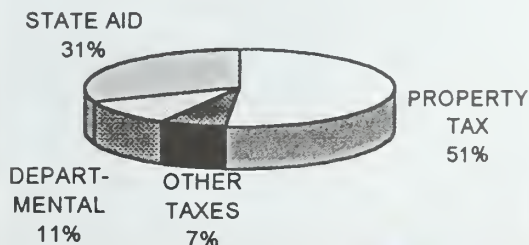
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BOSTON'S FY00 BUDGET: GROWS DESPITE STATE AID SHIFT

Mayor Menino's recommended FY00 budget for the City of Boston continues the Mayor's commitment to education, public safety and improving the quality of life in Boston's neighborhoods. The FY00 budget totals \$1.605B, an increase of \$81.3M or 5.3% over FY99. This increase is only slightly down from the current year's general fund spending increase of 5.9% and up from 4.4% in FY98. Additionally, the FY00 budget reflects the transfer of the Registry of Deeds (\$1.8M) from the City to the State. Grants and other external funds of at least \$340.4M are expected to be received, bringing the combined budget to \$1.945B. For capital purposes, the City anticipates spending \$120.0M in FY00 but the budgeted capital spending plan by department totals \$157.0M. This means that the City will have to be very diligent managing what is actually spent during the year. Areas of concern in the FY00 budget include: (1) the fact that funds for new collective bargaining agreements that expire in June 1999 are not included in the budget; (2) FY00 revenues are not budgeted as conservatively as in the past, eliminating some of the City's flexibility during the year; and (3) financial uncertainty looms over the School Department budget. This budget uncertainty should be addressed through strict management of the school budget. However, it is also anticipated that additional state revenue that will be targeted for Boston will help mitigate this problem. Out of 60 budget accounts, five represent 75.9% of Boston's proposed general fund spending. Based on past spending patterns, the City's FY00 \$1.605B budget can be expected to increase more over the course of the year. With this proposed budget, the City's spending will have increased by \$226.4M or 16.4% in the three years from FY97 to FY00. The FY00 budget provides for an increase of 310 positions, raising the total workforce level by 1,067 or 6.5% since FY97. This budget projects a total city workforce of 17,502 in January 2000.



Nearly 83.0% of Boston's general fund revenues will come from two sources in FY00: the property tax (\$825.3M or 51.4%) and state aid (\$494.7M or 30.8%). The property tax reflects an expected growth of 6.3% while state aid, based on the Governor's budget, will increase by 1.8%. Before the Governor's budget was released, cities and towns were expecting an increase in state aid in line with prior year increases. Boston was anticipating approximately \$25M more in state revenues for FY00. The major change occurred in Chapter 70 education aid. The Governor's budget appropriated only the amount needed to bring all districts up to foundation budget level and to increase per student minimum aid. Additionally, the Governor's budget earmarked \$90.5M in additional education aid statewide for specific school purposes and not the general fund. How the \$90.5M will be distributed by municipality has not been determined. The House budget has adopted a similar approach. For Boston, revenue from Chapter 70 aid will grow by \$1.8M or 1.0%, not including the \$90.5M distribution. That contrasts with a \$34.3M increase in FY99. Boston chose to address the Chapter 70 change more by increasing revenue assumptions than limiting spending growth. For example, the City is budgeting the overlay reserve for abatements

CITY OF BOSTON GENERAL FUND
REVENUE DISTRIBUTION

at 4% of the property tax as opposed to the traditional 5%, which has the effect of freeing up \$9.9M in FY00 for operations. Also, the new construction assumption in the property tax is more aggressive than usual and parking fine estimates have also been pushed higher. Other revenues are also less conservative in FY00 because of the success the City has had in raising funds in FY99. Regardless of the availability of state aid, Boston's budget is still increasing by 5.3% and is adding employees.

GENERAL FUND SPENDING HIGHLIGHTS

- Five budget accounts out of 60 are projected to make up 75.9% of Boston's general fund spending, a total of \$1.217B. These accounts include: (1) Schools \$573.9M, (2) Employee Benefits (not including schools) \$222.1M, (3) Police \$203.9M, (4) Fire \$115.9M and (5) Debt Service \$101.5M.
- Almost 80% (\$64.4M) of the \$81.3M increase in FY00 will be absorbed by five areas: (1) the School Department absorbing 37.9% of new spending (2) Employee Benefits (excluding schools) 14.7%, (3) Police 11.2%, (4) Debt Services 9.6% and (5) Public Health Commission 5.7%.
- Collectively, mandatory costs for Debt Service, Pensions and State Assessments (MBTA) are projected to absorb 26.3% of the increase in spending for a total of \$390.8M, a growth of 5.8% over FY99. As established by city policy, the annual gross debt service does not exceed 7% of general fund expenditures. Mandatory or fixed costs combined with school spending (the top priority of this Administration) absorbs 64.3% of the increase in spending. That leaves \$29.0M or 35.7% of the increase in FY00 for all other city spending.
- Spending for employee salaries accounts for 50.1% of the total general fund expenditure budget at \$804.5M, an increase of \$30.9M or 4.0%. The FY00 budget provides for an increase of 310 positions, raising the total workforce level by 1,067 or 6.5% since FY97. This budget projects a total workforce of 17,502 in January 2000. Salaries and Employee Benefits combined represent 64.0% of the budget.
- Not included in this budget are funds for new collective bargaining agreements that will expire in June 1999. Collective bargaining funds are included for employees in the departments of Community Centers and Graphic Arts, members of the Boston Teachers Union and Police Officers. The Administration will expect departments to absorb around 1% of new collective bargaining costs within their FY00 appropriation.

WHERE THE MONEY GOES

Figures in 000's

DEPARTMENT	BUDGET FY1999	BUDGET FY2000	VARIANCE 1999-2000	% OF TOTAL	FY2000 % OF TOTAL
SCHOOL DEPARTMENT	\$543,064	\$573,945	\$30,881	5.7%	35.8%
POLICE	194,857	203,958	9,101	4.7%	12.7%
FIRE	114,149	115,938	1,789	1.6%	7.2%
PUBLIC WORKS & SNOW RMVL.	63,722	67,977	4,255	6.7%	4.2%
PUBLIC HEALTH COMMISSION	52,844	57,468	4,624	8.7%	3.6%
TRANSPORTATION	25,177	27,055	1,879	7.5%	1.7%
LIBRARY	25,929	25,600	-329	-1.3%	1.6%
DND & PROPERTY MGMT.	18,577	20,719	2,142	11.5%	1.3%
COMMUNITY CENTERS	13,427	13,802	375	2.8%	0.9%
INSPECTIONAL SERVICES	11,331	11,691	360	3.2%	0.7%
PARKS & RECREATION	11,044	11,537	493	4.5%	0.7%
MAYOR OFFICE EXPENSE	1,802	1,820	19	1.0%	0.1%
CITY COUNCIL	3,273	3,331	58	1.8%	0.2%
ALL OTHERS	74,918	79,182	4,265	5.7%	4.9%
TOTAL DEPARTMENTAL	\$1,154,113	\$1,214,024	\$59,911	5.2%	75.6%
EMPLOYEE BENEFITS	210,090	222,056	11,966	5.7%	13.8%
DEBT SERVICE	93,712	101,520	7,808	8.3%	6.3%
STATE ASSESSMENTS	65,607	67,247	1,640	2.5%	4.2%
TOTAL FIXED	\$369,409	\$390,823	\$21,414	5.8%	24.4%
GRAND TOTAL	\$1,523,522	\$1,604,847	\$81,325	5.3%	100.0%

GENERAL FUND REVENUE HIGHLIGHTS

- Of the \$1.605B projected in FY00 revenues, \$933.8M or 58.2% is expected from all taxes the City will collect. The largest tax source (51.4%) comes from the net property tax levy totaling \$825.3M. State aid will account for 30.8% of revenues and all other revenues make up the remaining 11.0%.
- Of the \$81.3M revenue increase, 59.9% will come from the property tax, 13.3% from parking fines, 9.3% from state aid and 7.4% from building permits.
- The gross property tax is expected to grow by \$38.9M or 4.8% over FY99 for a total of \$825.3M. Taxable new growth will account for \$18.5M of this total and the annual 2½% growth will total \$20.5M. All taxable property in Boston was valued at \$36.1B as of January 1, 1998, a 6.8% increase over the prior year.
- State aid receipts are expected to total \$494.7M, a \$7.6M or 1.6% increase over FY99. This figure is based on the Governor's budget and is subject to change. Not included in this projected distribution is \$90.5M the Governor has set aside for grant or targeted programs. The growth in state aid over FY99 is primarily due to the Lottery which will increase by \$5.0M for a total of \$55.9M. School construction funds will account for an increase of \$3.9M for a total of \$16.7M while Chapter 70 aid will increase by \$1.8M for a total of \$180.0M. When the effect of Charter Schools is included, Chapter 70 aid based on the Governor's budget actually declines by \$2.7M or 1.6%. If the current House budget is adopted, net Chapter 70 aid will be in line with FY99.

CHAPTER 70 EDUCATION AID TO BOSTON

	FIGURES IN 000'S			FY2000	
	FY1997	FY1998	FY1999	GOV'S BUDGET	HOUSE BUDGET
CHAPTER 70	\$115,487	\$143,916	\$178,229	\$180,003	\$180,023
CHARTER TUITION	-10,353	-10,948	-15,184	-18,144	-17,106
CHARTER REIMB.	0	0	2,974	1,467	3,400
NET CHAPTER 70	\$105,134	\$132,968	\$166,019	\$163,327	\$166,317
VARIANCE	\$18,866	\$27,834	\$33,052	-\$2,693	\$298
PERCENT	21.9%	26.5%	24.9%	-1.6%	0.2%

WHERE THE MONEY COMES FROM

Figures in 000's

ACCOUNT	BUDGET FY1999	BUDGET FY2000	VARIANCE 1999-2000	%	FY2000 % OF TOTAL
GROSS PROPERTY TAX	\$819,300	\$858,283	\$38,983	4.8%	53.5%
(OVERLAY)	-42,712	-33,011	9,701	-22.7%	-2.1%
NET PROPERTY TAX	\$776,588	\$825,272	\$48,684	6.3%	51.4%
MOTOR VEHICLE EXCISE	\$33,520	\$36,320	\$2,800	8.4%	2.3%
CH121A S6	8,324	8,976	652	7.8%	0.6%
CHAP.121A-10	24,563	25,385	822	3.3%	1.6%
AIRCRAFT FUEL	12,200	13,900	1,700	13.9%	0.9%
HOTEL EXCISE	22,800	23,900	1,100	4.8%	1.5%
SUBTOTAL TAXES	\$877,994	\$933,752	\$55,758	6.4%	58.2%
STATE AID	\$487,113	\$494,688	\$7,576	1.6%	30.8%
PARKING FINES	\$48,800	\$59,600	\$10,800	22.1%	3.7%
INVESTMENTS	15,300	18,000	2,700	17.6%	1.1%
PILOTS	25,649	19,823	-5,827	-22.7%	1.2%
MEDICAID REIMB.	8,000	12,000	4,000	50.0%	0.7%
BUILDING PERMITS	6,000	12,000	6,000	100.0%	0.7%
ALL OTHERS	14,163	11,359	-2,804	-19.8%	0.7%
LICENSES & PERMITS	10,089	10,235	146	1.4%	0.6%
COST & INTEREST	9,151	10,201	1,050	11.5%	0.6%
PARKING METER FEES	7,900	10,000	2,100	26.6%	0.6%
PUBLIC SAFETY	5,085	5,686	601	11.8%	0.4%
NON-RECURRING REV.	5,578	4,503	-1,075	-19.3%	0.3%
ST. SIDEWALK PERMITS	2,700	3,000	300	11.1%	0.2%
SUBTOTAL NON-TAX	\$158,415	\$176,406	\$17,991	11.4%	11.0%
GRAND TOTAL	\$1,523,522	\$1,604,847	\$81,325	5.3%	100.0%

THE CAPITAL PLAN

In addition to the general fund operating budget, the City's 5-year capital budget (FY2000-04) totals \$1.418B. In this plan, Public Works projects represent 36.9% of the total capital budget, followed by Schools at 16.6%, the

Boston Redevelopment Authority 13.1%, Parks 7.8% and 25.6% disbursed among several other areas. In FY00, the City plans to cap spending at \$150M for capital purposes, \$120M from city funds and \$30M from grant funds. In the past few years, the capital budget planned for more projects than could be built annually which taxed its financial capacity. In FY00, the capital budget more accurately reflects what the City can afford and will be able to accomplish in a fiscal year. Despite the City's spending cap of \$120M, the budgeted capital spending plan by department in FY00 totals \$157.0M. This means that the City will have to be very diligent in managing what is actually spent in order to keep within the \$120M spending cap. To help in this effort, the Administration will seek to authorize new projects of \$70.4M, almost 50% less than last year. Also assisting in meeting this cap is a newly instituted capital budget review process, which established a team that is charged with reviewing all projects to ensure they are within spending limits. Preliminary results from FY99 indicate that the City will succeed this year in keeping actual spending within limits. Additionally in FY00, \$1.6M in charges primarily for administrative positions have moved from the capital budget to the operating budget.

Large capital spending is planned in FY00 for projects such as the renovation of Boston Latin, including a new library; major renovations at East Boston and Hyde Park High Schools; technology upgrades at the BPS; facility improvements at the former Boston City Hospital campus; the implementation of a new financial system for the City and renovation of the Vine Street Community Center. Also the City plans to spend funds in FY00 for the siting of 4 new schools and the construction of a new K-8 school in Orchard Park.

CAPITAL PLAN - FY2000-2004

DEPARTMENT	AUTHORIZ- ATIONS	% OF TOTAL
Auditing	\$35,450,000	2.5%
BRA	185,444,300	13.1%
Fleet Maintenance	1,000,000	0.1%
Community Centers	49,230,500	3.5%
Environment	2,955,000	0.2%
Fire	21,741,700	1.5%
Graphic Arts	737,600	0.1%
ISD	11,733,500	0.8%
Library	69,872,180	4.9%
MIS	4,370,000	0.3%
Neighborhood Dev.	35,527,900	2.5%
Parks	111,090,158	7.8%
Police	37,080,225	2.6%
Property Mgmt.	24,282,690	1.7%
Public Health	48,877,736	3.4%
Public Works	522,804,477	36.9%
School	235,427,542	16.6%
Transportation	20,253,000	1.4%
Grand Total	\$1,417,878,508	100.0%

DEPARTMENTAL LOOK

City departments on average are expected to increase spending by 5.0% in FY00. The number of employees are expected to increase by 310 over the number actually working in January 1999 for a projected total of 17,502. The majority of the increase of 310 is planned in Schools at 166 positions. On a budget-to-budget basis, only 37 new employees will actually be added in the BPS. Other increases are expected in: Police +47.5 due to the addition of a new police class in the end of FY99, Transportation +46 for a new class of meter enforcement personnel and Public Works +29.5 to fill vacant laborer positions. The Fire Department will also add two new classes of firefighters to offset expected attrition and maintain a level force in FY00. Earlier this year, the Mayor appointed a Commission to evaluate the performance and efficiency of the Fire Department. This Commission could make recommendations for future staffing assignments.

NEW PROGRAMS ON THE HORIZON

The Mayor's FY00 budget includes funds for new initiatives to improve the livability of Boston and provide services for youth. Pave the Way 2000, a two year \$30M program to resurface Boston's neighborhood streets and repair sidewalks will be launched. The initiative will use \$15M over the next two years from the street cut account in addition to the normal funding for street repair. The street cut account has built up a considerable reserve over the last several years and is intended to be used for road resurfacing once a cut has been made by any utility. Additionally, through Housing 2000 this budget plans to address housing needs by allocating the proceeds from the sale of the old Berkley Street police headquarters to housing initiatives. Boston 2 to 6, the after school program for students, will expand with the addition of three new employees and a budget of \$547,692, which is 45.4% higher than in FY99.

GRANT FUNDS

In addition to the general fund, \$340.4M in grant funds is expected to be received in FY00. Three departments, Schools, Neighborhood Development and Sheriff, are expected to receive over 80% of the total available. Grant funds have increased by \$28.9M or 9.3% since FY99.

GRANT FUND SUMMARY

DEPARTMENT	FY00	% OF TOTAL
Schools	\$94,110,165	27.6%
Neighborhood Dev	93,377,317	27.4%
Sheriff	89,822,560	26.4%
Public Health Com	29,245,945	8.6%
Library	9,311,803	2.7%
Police	4,115,819	1.2%
Other	20,436,925	6.0%
TOTAL	\$340,420,534	100.0%